

**Iowa Department of Revenue and Finance**  
**Central Collection Unit**  
**February 11, 2003**

**Our Mission**

To provide effective, competitive collection of outstanding debt and past due returns, and to promote effective management of past due receivables for state and local government.

**Our Goals**

- Manage receivables through an efficient, state-of-the-art system and collection strategy.
- Provide quality cost effective collection services to multiple state and local government clients.
- Promote the effective collection of government receivables through development of statewide collection policies, enterprise wide reporting, and coordination of interagency and intergovernmental collection efforts.
- Provide a self-supporting funding mechanism, which allows quality service to clients while providing accountability within state government.
- Conduct the state's collection activities in a consistent, fair, and professional manner, and promote voluntary compliance with the State's tax system.
- Continually identify new services and improve the quality of existing services.
- Provide a compliance program insisting on an efficient collection strategy and promoting continued business operation.

## Statewide Receivables

The Department of Revenue and Finance has taken the lead to coordinate collection efforts between agencies. Part of that process has been to develop a reporting function to track the amount and age of receivables.

### Statewide Receivables and Collections \$ Millions

<b><u>Receivables at EOFY</u></b>	<b><u>6/30/98</u></b>	<b><u>6/30/99</u></b>	<b><u>6/30/00</u></b>	<b><u>6/30/01</u></b>	<b><u>6/30/02</u></b>
Child Support <sup>1</sup>	\$813.0	\$856.3	\$883.6	\$889.4	\$988.0
DHS - Public Assistance	21.2	15.9	12.5	18.7	16.1
Revenue & Finance <sup>2</sup>	140.7	148.9	156.4	157.2	200.9
Inspections & Appeals	34.6	33.7	33.5	34.0	32.4
College Student Aid	148.7	150.8	158.3	167.3	161.7
Regents <sup>3</sup>	27.2	27.8	28.9	29.7	30.5
IWD	23.4	24.6	27.6	30.4	33.7
Courts <sup>4</sup>	<u>NA</u>	<u>NA</u>	<u>203.2</u>	<u>238.0</u>	<u>275.2</u>
<b>Total</b>	<b>\$1,208.8</b>	<b>\$1,258.0</b>	<b>\$1,504.0</b>	<b>\$1,564.6</b>	<b>\$1,738.5</b>

### **Collections during FY**

Child Support <sup>1</sup>	\$170.0	\$190.2	\$212.9	\$224.3	\$265.2
DHS - Public Assistance	63.6	74.8	78.3	74.7	94.3
Revenue & Finance <sup>2</sup>	69.0	68.5	69.9	79.3	94.5
Inspections & Appeals	2.7	3.1	3.0	3.0	3.0
College Student Aid	20.8	24.0	29.2	26.8	35.0
Regents <sup>3</sup>	314.5	329.8	255.4	374.8	418.3
IWD	7.0	8.1	9.8	11.0	10.2
Courts <sup>4</sup>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>98.6</u>	<u>98.9</u>
<b>Total</b>	<b>\$647.6</b>	<b>\$698.5</b>	<b>\$658.5</b>	<b>\$892.5</b>	<b>\$1,019.4</b>

The state share of receivables and collections varies by agency. Approximately \$700 million of Receivables and \$250 million of collections from FY 2002 are owed to the state General Fund. The remainder is owed to the federal government, individuals or other governmental entities. The state funds are found primarily in the figures for the Department of Revenue and Finance and the Judicial branch. A portion of DHS Public Assistance, Child Support and DIA receivables are also considered state funds.

<sup>1</sup> Child Support Recovery - \$70 million of FY 2002 increase in receivables is attributable to a change in reporting methodology.

<sup>2</sup> DRF figures include accounts in protest and abeyance that are not collectible.

<sup>3</sup> Some Regent receivables may not be past due, such as current semester tuition payment plans. Excludes University Hospitals.

<sup>4</sup> Court data not available for all periods.

**Location of Receivables**  
**(\$ Millions)**  
**For Quarter Ending June 30, 2002**

<b>Agency</b>	<b>In Agency</b>	<b>CCU</b>	<b>OCA</b>	<b>Quarterly Total</b>
DHS	\$16.149	\$0	\$0	\$16.149
DRF	\$144.399	\$52.935	\$3.566	\$200.900
DIA	\$13.248	\$19.176	\$0	\$32.424
Regents <sup>1</sup>	\$8.921	\$0	\$21.550	\$30.471
College Aid	\$28.898	\$0	\$132.812	\$161.710
Judicial	\$69.730	\$205.466	\$0	\$275.196
Child Support	\$838.717	\$149.290	\$0	\$988.007
Workforce Dev.	\$33.721	\$0	\$0	\$33.721
<b>Total</b>	<b>\$1,152.404</b>	<b>\$426.867</b>	<b>\$159.307</b>	<b>\$1,738.578</b>

<sup>1</sup> Does not include University of Iowa Hospital

Receivables classified as “In Agency” are being collected by the agency itself. The Central Collection Unit (CCU) is an enterprise function of the Department of Revenue and Finance that is available to all state agencies. The category of OCA is for outside collection agencies. Most outside collection agencies provide service on a commission fee basis.

**Receivables Age**  
**(\$ Millions)**  
**For the Quarter ending June 30, 2002**

<b>Agency</b>	<b>&lt;180 Days</b>	<b>181-365 Days</b>	<b>1 – 2 Years</b>	<b>&gt;2 Years</b>	<b>Unknown</b>	<b>Total</b>
DHS	\$ 1.083	\$ .100	\$ .811	\$ .252	\$ 13.905	\$ 16.149
DRF	66.864	26.086	22.318	85.633	0	200.900
DIA	0	0	0	0	32.424	32.424
Regents	8.590	.817	.749	20.315	0	30.471
College Aid	39.881	6.398	31.011	84.420	0	161.710
Judicial	0	0	0	0	275.196	275.196
Child Support	0	0	0	0	988.007	988.007
Workforce	9.690	3.828	3.945	16.259	0	33.721
<b>Total</b>	<b>\$126.108</b>	<b>\$37.229</b>	<b>\$58.834</b>	<b>\$206.879</b>	<b>\$1,309.532</b>	<b>\$1,738.578</b>

The age of Child Support receivables is difficult to compute as new liabilities may be added to each account on a monthly basis.

## **Department of Revenue and Finance Collection Process**

Tax liabilities are staged through the collection process with the concept of applying increasingly stringent collection tactics at each step. It is our goal to collect in the least intrusive method possible while still ensuring compliance.

Accounts Receivable Unit – The Accounts Receivable unit handles liabilities during the initial billing and appeal period. In most cases, the taxpayer receives a first notice identifying the amount of additional tax due and a reason. The response period for this notice is twenty days. The second notice sent to the taxpayer is the assessment notice and marks the beginning of the 60 day appeal period. Other agencies have similar administrative processes they must perform before they can transfer the debt to the central collections unit.

FY 2002 Collections:	\$58,797,051
Collections per dollar spent:	\$56.11

Central Collection Unit Call Center – The CCU Call Center provides traditional telephone and correspondence dunning activities designed to maximize the number of customer contacts. The Call Center completed over 230,000 calls in FY 2002. The Call Center provides the initial active collection efforts on tax debt and advanced collection activities on debt referred from the Judicial Branch, Department of Human Services Child Support Recovery and the College Student Aid Commission. The Call Center is funded primarily by collection or penalty charges added to debtor liabilities.

FY 2002 Collections:		
DRF Tax:	\$19,813,895	
Court fines:	11,111,433	
DHS Child Support:	619,023	
DIA Public Assistance:	1,370,736	Collections ended 6/30/02
College Student Aid:	-0-	Collections began 1/1/03
Collections per dollar spent:	\$12.36	

Revenue and Finance Field Operations – Tax liabilities not resolved by the Call Center are referred to Revenue Field Agents for forced collection activities. Field agents are authorized to implement wage garnishments, levy accounts in financial institutions, and file liens.

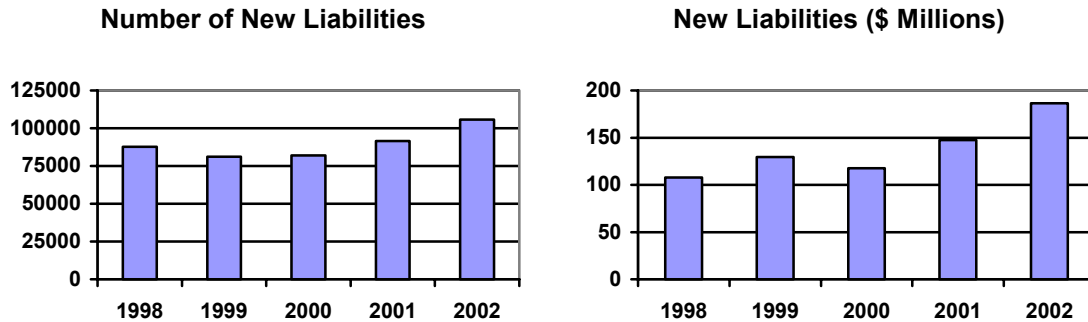
FY 2002 Collections:	\$21,354,966
Collections per dollar spent:	\$10.51

Outside Collection Agencies – The Department of Revenue and Finance utilizes two outside collection agencies for tax liabilities that cannot otherwise be resolved. These agencies are paid on a contingency fee basis.

FY 2002 Collections:	\$558,557
Collections per dollar spent:	\$6.25

## **Budget Recommendation for Additional Agents**

Field agents handle the most difficult cases that often require forced collection actions. The number of field agents has declined from 29 agents in FY 2000 to 22 in FY 2003. Concurrently, the number of liabilities entering the system has increased substantially.



The following table shows collections on the amount of outstanding debt for each fiscal year. The addition of four field agents will improve our ability to collect the most difficult accounts that we are unable to collect in the first 180 days.

Fiscal Year	Percentage of Collections to Net Debt				
	Net debt Placed	Collections placed in FY	Collections < 180 days	%	Collections > 180 days
1998		\$ 89.356	\$ 51.493	57.6	\$15.761
1999		101.316	51.078	50.4	23.044
2000		95.216	50.435	53.0	16.823
2001		105.384	53.686	50.9	14.916
2002		124.299	75.457	60.7	9.940
Total		\$515.570	\$282.149	54.7	\$80.484
					15.6

Although total collections continue to increase, the amount of outstanding tax due has increased at an even greater rate. The amount of tax debt considered collectible increased by nearly \$40 million in the last year alone. Four additional agents should generate additional collections of at least \$2 million per year and improve our resolution rate.

